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Housing Market Overview and Potential Resources for Affordable Housing

City of Wenatchee,
Washington
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Agenda

- Key Findings
- Demographic Characteristics
- Housing Market Conditions and Current Housing Needs
- Projected Housing Needs
- Potential Revenue Sources and Policies to Produce Affordable Housing



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Key Findings: Current Housing Needs

- Renter housing shortage:
 - Wenatchee has lost 334 multifamily rental units since 2000.
 - Current apartment vacancy rate is 1.8 percent.
 - To achieve healthy vacancy rate of 5 percent, Wenatchee needs 25 new apartment units.



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Key Findings: Current Housing Needs

- Housing Affordability:
 - A projected 1,472 Renter households earning less than \$28,500 (for a family of four) currently overpay for housing.
 - In 2000, 275 elderly homeowners earning less than \$28,500 (for a family of four) overpaid for housing.
 - These homeowners may face risk of foreclosure.



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Key Findings: Current Housing Needs

- Housing Affordability:
 - Households earning up to \$45,600 (for a family of four) cannot afford to buy a home in Wenatchee.
 - These households can afford a \$158,000 home, which is \$82,000 less than the City's median home price in 2007.



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Key Findings: Current Housing Needs

- Aging Housing Stock:
 - Seventy-two percent of the City's housing stock was over 28 years old in 2000.
 - Eighty-eight percent of the City's rental units were over 28 years old in 2000 and may need rehabilitation.



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Key Findings: Projected Housing Needs

- Wenatchee Urban Growth Area projected to need 8,375 new units by 2025 to accommodate population growth.
 - Based on proportion of Renter households in 2000, 3,350 of these units must be rental units.
 - Based on Wenatchee household income in 2000, 1,749 of the rental units must be affordable to households earning up to \$28,500 for a family of four.



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Key Findings: Projected Housing Needs

- Wenatchee Urban Growth Area's vacant land can accommodate a projected 6,618 units.
- By 2025, there will be a shortage of 1,757 housing units in Wenatchee.



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Key Findings: Opportunities

- Inclusionary housing program may help address affordable housing need
- General obligation bond and/or property tax levy can raise funds for affordable housing
- Local Infrastructure Financing Tool program can produce housing and economic development funds
- State Housing Trust Fund awards grants/loans for producing affordable housing



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Demographic Characteristics



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Household Income and Housing Policy in Washington State



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Median Family Income

- 2008 Median Family Income (MFI) in Wenatchee MSA is \$57,000
- 2008 MFI for Washington State is \$66,900.

Source: U.S. Department of Housing and Urban Development



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Growth Management Act Definitions

- “Low Income” Renter households defined as those “with an income of 50 percent or less of the county MFI, adjusted for family size.”
 - \$28,500 for a family of four
- “Low Income” Owner households defined as those “with an income of 80 percent or less of the county MFI, adjusted for family size.”
 - \$45,600 for a family of four

Source: Revised Code of Washington 36.70A



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Wenatchee MSA Income Levels

Household Income as % of MFI	Household Size				
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons
0 – 30% of MFI	\$11,950	\$13,700	\$15,400	\$17,100	\$18,450
31 – 50% of MFI	\$19,950	\$22,800	\$25,650	\$28,500	\$30,800
51 – 80% of MFI	\$31,900	\$36,500	\$41,050	\$45,600	\$48,850
81 – 100% of MFI	\$39,900	\$45,600	\$51,300	\$57,000	\$61,600

Source: U.S. Department of Housing and Urban Development



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Wenatchee Population

- Wenatchee's population increased 8.7 percent between 2000 and 2007.
- In 2005, the Office of Financial Management (OFM) projected the population in Wenatchee's Urban Growth Area will increase by 16,945 people, or approximately 25 percent, by 2025.



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Renter Household Income

- In 2000, Wenatchee's Renter household median income was about half that of Owner household' median income.
 - Renter median income in 2000 was \$22,694
 - Owner median income in 2000 was \$49,132



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Lower Income Households

- In 2000, households earning 80 percent of MFI (\$45,600 for a family of four) and below represented:
 - 45 percent of all households
 - 65 percent of all Renter households
 - 30 percent of all Owner households



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Poverty Rate and Income Level

- In 2000, 15.3 percent of Wenatchee's population was below the poverty line.
- In 2000, 12.4 percent of Chelan County's population was below the poverty line.
- National poverty threshold for family of four in 2000 was \$17,603. In 2008, it is \$21,200.



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Housing Market Conditions and Current Housing Needs



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Housing Tenure

- In 2000, there were 6,202 Owner-occupied units in Wenatchee, comprising 58 percent of total occupied units.
- 4,579 units, or 42 percent of total occupied units, were Renter-occupied.



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Number of Housing Units

- In Chelan County, units increased by 10.8 percent between 2000 and 2007.
- In Wenatchee, units increased by 10.2 percent between 2000 and 2007.
- Wenatchee had a total of 12,660 housing units in 2007.



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Home Sales in Chelan County

- The number of existing home sales in the County increased annually from 2002 to 2005 and decreased in 2006.
- Median home price in the County increased 56.6 percent between 2000 and 2006.
- Chelan County median home price in 2006 was \$202,000, compared to \$293,800 statewide.



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Wenatchee Median Home Sales Price

- 2007 median home price was \$240,000.
- Affordable home purchase price for a family of four earning 80 percent of MFI (\$45,600) is \$158,000.
- A family of four earning 100 percent of MFI (\$57,000) can afford a \$206,000 home.



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Rental Housing

- Not enough new rental housing is being built in Wenatchee: multifamily units increased by only 5 percent between 2000 and 2007.
- In 2007 there were only 738 apartment units in the City, a decrease of 31 percent since 2006.
 - Condo conversions may be decreasing City's stock of rental housing.



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Rental Housing

- Wenatchee's apartment vacancy rate in 2007 was 1.8 percent.
- A vacancy rate of 5 percent signals a healthy rental market.
- Wenatchee needs 25 new apartment units to achieve a 5 percent vacancy rate.



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Wenatchee Rents

- Average monthly rent in Wenatchee has increased 7.9 percent between 2000 and 2007, to \$661.
- Wenatchee's low apartment vacancy rate reflects an acute shortage.
- Shortage of rental units places greater price pressure on rents.



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Wenatchee Average Rent and Affordability

- 2007 average rent in Wenatchee was \$661 per month.
- A family of four earning 50 percent of MFI (\$28,500) can afford monthly rent of \$588.



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Cost Burdened Households

- In 2000, 1,813 Renter households (40 percent of all Renter households) and 1,488 Owner households (24 percent of all Owner households) were cost burdened.
- “Cost burdened” is defined as paying more than 30 percent of household income on housing.



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Severely Cost Burdened Households

- In 2000, 854 Renter households (19 percent of all Renter households) and only 543 Owner households (9 percent of all Owner households) were severely cost burdened.
- “Severely cost burdened” is defined as paying more than 50 percent of household income on housing.



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Low Income Cost Burdened Households

- In 2000, 79 percent of cost burdened Renters (or 1,426 households) and 37 percent of cost burdened Owners (or 555 households) earned 50 percent of MFI and below.



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Low Income Cost Burdened Households

- In 2000, 91 percent of severely cost burdened Renters (or 777 households) and 63 percent of severely cost burdened Owners (or 340 households) earned 50 percent of MFI and below.



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Low Income Elderly Homeowners

- In 2000, about half of all cost burdened and severely cost burdened Owner households earning less than 50 percent of MFI (\$28,500 for a family of four) were elderly households.
- Of elderly homeowners earning less than 50 percent of MFI, 275 were cost burdened and 170 were severely cost burdened



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Wenatchee's Aging Housing Stock

- 72 percent of Wenatchee's housing units were at least 28 years old in 2000.
 - 79 percent of Owner-occupied units were at least 28 years old in 2000.
 - 88 percent of Renter-occupied units were at least 28 years old in 2000.



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Projected Housing Needs



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Projected Housing Needs

- The Wenatchee Urban Growth Area is projected to need 8,375 housing units by 2025, based on projected population growth¹.
- Projected build out potential is 6,618 units, leaving an unmet need of 1,757 units.

¹ Washington Office of Financial Management



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Projected Rental Housing Need

- Assuming constant proportion of Renter households in Wenatchee, 3,350 of new units must be rental units.
- Assuming constant income distribution among Renters, 1,749 rental units must be affordable to households earning 50 percent of MFI (\$28,500 for a family of four) and below.



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Residential Build Out

- Total projected build out potential in Wenatchee Urban Growth Area is 6,618 units, including¹:
 - 2,542 units on vacant land in City limits
 - 400 units on vacant infill land in City limits
 - 1,440 units in Waterfront Sub-Area
 - 2,236 units in Sunnyslope Sub-Area

¹ Wenatchee Urban Area Comprehensive Plan Update, 2006 - Draft Supplemental Environmental Impact Statement, Jan 2007.



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Potential Revenue Sources and Policies to Produce Affordable Housing



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Commercial Linkage Fee

- Adopted by City Council.
- Charges impact fee on new commercial development to mitigate new demand for affordable housing.
- Fee revenue funds affordable housing production.
- Housing funded with fees must be affordable to households earning up to 50 percent of MFI for Renters and up to 80 percent of MFI for Owners (RCW 36.70A).



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Commercial Linkage Fee

- Ability to raise funds depends on amount of new commercial development.
- In 2007, commercial development permits issued in Wenatchee valued at \$10.4 million.
 - A fee of \$2.50 per square foot would produce estimated \$260,000 in revenue annually.



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Commercial Linkage Fee

- Many jurisdictions across the country have commercial linkage fee ordinances.
- Seattle adopted a voluntary program in 1989 that allows density increases for commercial developments that include affordable units or pay a linkage fee.



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Inclusionary Housing

- Adopted by City Council.
- Requires residential developers to include a percentage of their units as affordable to specified income levels.



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Inclusionary Housing

- Can include offsets, incentives and alternative compliance measures such as density bonus, fee deferrals, design modification or off-site compliance of the affordable units.
- May also allow payment of fee in lieu of building the required units.



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Inclusionary Housing

- Ability to produce units depends on required set aside percentages and amount of residential development.
- A 15 percent set aside requirement applied to Wenatchee's potential residential build out, exclusive of the Sunnyslope Sub-Area, would produce 657 affordable units, or 993 units including Sunnyslope Sub-Area.



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Inclusionary Housing

- Many jurisdictions across the country, including over 170 in California, have adopted inclusionary housing programs.
- Several jurisdictions in Washington have adopted voluntary inclusionary housing programs that offer incentives to developers for including affordable units.



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General Obligation Bonds

- May require voter approval.
- When voter approval required, must be approved by three-fifths of voters.
- Sometimes adopted with property tax levies to fund the bond's debt service.



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General Obligation Bonds

- Can raise revenue to fund municipal purposes, including affordable housing.
- Locality's total allowable indebtedness is limited by RCW 39.36.
- As of December 2007, Wenatchee's remaining debt capacity was \$19.1 million without voter approval required and \$15.2 million requiring voter approval.



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General Obligation Bonds

- Many jurisdictions approve bonds to fund affordable housing production.
- The Seattle City Council passed a property tax levy and bond in 2006. Approximately \$3.7 million of the proceeds are dedicated to fund “low income housing.”



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Taxes, Fees and Assessments

- Cities can raise funds for affordable housing through levying property taxes, hotel/motel taxes, and real estate excise taxes.



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Property Tax Levy

- Jurisdictions can levy a property tax to fund affordable housing (RCW 84.52).
- Housing must be affordable to households earning up to 50 percent of MFI.
- Locality must first declare an emergency with respect to availability of affordable housing and adopt an affordable housing finance plan.



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Property Tax Levy

- Affordable housing property tax levy can be up to 50 cents per \$1,000 of assessed property value for 10 years (RCW 84.52)
- In Wenatchee, this could generate \$947,000 per year for up to 10 years.



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Property Tax Levy

- In 2006, the Seattle City Council passed a property tax levy of \$8.6 million to finance affordable housing.



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Additional Property Tax Levies

- Taxing district can levy additional property taxes, if approved by majority of voters.
- Funds raised through regular property tax levies cannot be used for capital costs.
- In Washington, only Seattle has levied taxes for affordable housing through a majority vote.



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Hotel/Motel Taxes

- Hotel/motel taxes can only fund tourist promotion.
- Funds raised through this tax may allow General Fund resources previously spent on tourist promotion to fund other public needs, such as affordable housing.



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Real Estate Excise Taxes (REET)

- REET is a tax assessed on sales price of all real estate sales.
- All Washington cities can levy a quarter percent REET that can only be spent on capital projects listed in the city's capital facilities element of its comprehensive plan.
- Housing funded this way would be owned by the city.



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Real Estate Excise Taxes (REET)

- Jurisdictions planning under the Growth Management Act can levy second quarter percent REET.
- Revenue from this REET cannot directly fund affordable housing but may fund other capital projects and allow General Fund resources to be available for affordable housing.



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Hotel/Motel Taxes and REETs

- Per DRA's initial research, no jurisdictions in Washington have substituted General Fund monies with hotel/motel taxes or REETs to then fund affordable housing.



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Tax Increment Financing

- Washington Legislature established Local Infrastructure Financing Tool (LIFT) program in 2006.
- LIFT allows local governments to establish Revenue Development Area (RDA).



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Tax Increment Financing

- Local government invests in RDA and receives the additional tax revenue generated from the State.
- Tax revenue can be used to make payments on bonds that fund public improvements within the RDA, including affordable housing.



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Tax Increment Financing

- LIFT allocates up to \$2.5 million per year throughout the state.
- Only one RDA per county will be awarded an allocation.
- Maximum award is \$1 million per year for 25 years.



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Tax Increment Financing

- To participate in LIFT, Wenatchee would have to pass an ordinance adopting an RDA and submit an application for a LIFT allocation.



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Housing Trust Fund

- Provides loans to fund affordable housing.
- Allocation awarded on competitive basis, in three rounds per year.
- Units must be affordable to households earning up to 50 percent of MFI.



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Housing Trust Fund

- Funding limit of \$2 million per applicant per round, of which no more than \$1.5 million can be spent on rental projects and no more than \$500,000 on homeownership projects.



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Housing Trust Fund

- Over last two years, the Housing Trust Fund awarded approximately \$96 million to 108 projects encompassing 3,292 units.